



DSTATES  
CHANGE COMMISSION  
n, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response..... 12.00

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER  
8- 1306878

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2007 AND ENDING December 31, 2007  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Putnam Retail Management, **LIMITED PARTNERSHIP**

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

One Post Office Square

(No. and Street)

Boston

MA

02109

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Stacy Mills

(617) 760-7199

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Deloitte & Touche, LLP

(Name - if individual, state last, first, middle name)

200 Berkeley Street

Boston

MA

02116

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions

**PROCESSED**

**APR 08 2008**

**THOMSON  
FINANCIAL**

**Mail Processing  
Section**

**MAR 28 2008**

**Washington, DC**

**FOR OFFICIAL USE ONLY**

**100**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

4/17

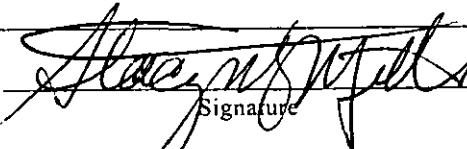
## OATH OR AFFIRMATION

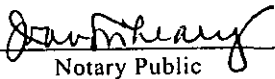
I, Stacy Mills, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Putnam Retail Management, LP, as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

  
Signature  
Controller  
Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP  
(SEC I.D. No. 8-1306878)

Statement of Financial Condition  
as of December 31, 2007  
and Independent Auditors' Report  
and Supplemental Report on Internal Control

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Putnam Investments, LLC and Partners of Putnam Retail Management, Limited Partnership:

We have audited the accompanying statement of financial condition of Putnam Retail Management, Limited Partnership (the "Partnership") (a wholly owned subsidiary of Putnam Investments, LLC) as of December 31, 2007, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. Our audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such statement of financial condition presents fairly, in all material respects, the financial position of Putnam Retail Management, Limited Partnership at December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

March 27, 2008

SEC  
Mail Processing  
Section

MAR 28 2008

Washington, DC  
100

**PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2007**

**ASSETS**

Cash and cash equivalents	\$	66,000,300
Invested cash balances of the Funds		12,000,000
Accounts receivable from sales of mutual fund shares		5,592,432
Accounts receivable from mutual funds for distribution plans		51,739,882
Prepaid expenses and other assets		1,195,435
Property and equipment, net		<u>51,504</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>136,579,553</u></b>

**LIABILITIES AND PARTNERS' EQUITY**

Liabilities		
Accounts payable for mutual fund shares sold	\$	5,631,060
Due to the Funds		12,000,000
Accrued compensation and employee benefits		9,442,494
Accounts payable and accrued expenses		18,801,659
Commissions payable for distribution plans		<u>49,157,506</u>
Total liabilities		<u>95,032,719</u>

Commitments and contingencies (Note 8)

Partners' Equity		
Partners' Equity		31,702,681
Accounts payable to Parent (Note 6)		<u>9,844,153</u>
Total partners' equity		<u>41,546,834</u>

<b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b>	<b>\$</b>	<b><u>136,579,553</u></b>
---	-----------	---------------------------

The accompanying notes are an integral part of this statement of financial condition.

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2007

**(1) ORGANIZATION**

Putnam Retail Management, Limited Partnership (the "Partnership") is a 99% owned subsidiary of Putnam, LLC, which is a wholly owned subsidiary of Putnam Investments, LLC (the "Parent" or "Putnam") and a 1% owned subsidiary of Putnam Retail Management GP, Inc., a wholly owned subsidiary of Putnam, LLC. The Parent is a majority owned subsidiary of Great-West Lifeco Inc. ("Lifeco").

The Partnership's primary business is the underwriting, sale and distribution of shares of Parent-sponsored mutual funds (the "Funds"), principally within the United States of America. The Partnership's revenue is largely dependent on the total value and composition of assets under management by Putnam Investment Management, LLC, an affiliate of the Partnership, which includes domestic and international equity and debt portfolios; accordingly, fluctuations in financial markets and in the composition of assets under management affect revenue and results of operations.

**Change in Control of Putnam Investments Trust**

On August 3, 2007 (the "Acquisition Date"), Lifeco acquired the assets and liabilities of Putnam Investments Trust ("PIT") from Marsh & McLennan Companies, Inc. ("MMC") and transferred the assets and liabilities, including its interest in the Partnership, to the Parent through a forward-merger. The Partnership maintained its legal form and, accordingly, the financial statement presented reflects the Partnership as an entity whose existence was not disturbed by the acquisition.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Estimates**

The statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from these estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits with banks and investments in money market funds, which are readily convertible into cash. Investments in money market securities are recorded at fair market value.

**Invested Cash Balances of the Funds**

The Partnership invests certain cash balances, held in its capacity as distributor and underwriter for the Funds, in the Putnam Prime Money Market Fund. The Partnership has a corresponding liability for these balances, which is included in due to the Funds in the statement of financial condition. Interest earned from these investments is used to reduce amounts due from the Funds for services provided by the Partnership.

During the year ended December 31, 2007, the Partnership invested the cash balances of the Funds in securities purchased under agreements to resell. Resale agreements were recorded in the statement of financial condition at the amounts at which the securities were purchased, which approximate fair market value based upon the short-term nature of the agreements.

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2007

**Property and Equipment**

Property and equipment is recorded at cost less accumulated depreciation or amortization. Depreciation expense is calculated using the straight-line method, based on the estimated useful life of each respective asset group as follows: computer equipment (servers and mainframes) - three to five years, office and other equipment and automobiles - five years, and furniture - seven years. Leasehold improvements are amortized using the straight-line method over the periods covered by the applicable leases, or the estimated useful life of the improvement, whichever is less. Upon sale or retirement, the cost and related accumulated depreciation or amortization is removed from the accounts and the resulting gain or loss, if any, is reflected in operating income. Additions, renewals, and betterments of fixed assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. The Partnership periodically reviews the carrying value of property and equipment for impairment whenever events or changes indicate that the carrying value of assets may not be recoverable.

**Income Taxes**

The Partnership is taxed as a corporation for federal tax purposes and as a corporate trust for Massachusetts state tax purposes. For all other states, it is taxed as a corporation.

For the period January 1, 2007 through August 3, 2007, PIT participated in a master tax sharing agreement between MMC and its subsidiaries. The master tax sharing agreement specified that, in general, the taxes paid by PIT would approximate those that would be paid if PIT filed a separate federal tax return. PIT subsequently allocated certain tax amounts to its various subsidiaries applying the same methodology present in the master tax sharing agreement. Effective August 3, 2007, the Parent will file its own consolidated federal tax return. The Parent allocates under a new tax sharing agreement certain tax amounts to its various subsidiaries. As a result, the current and deferred tax provision recorded by the Partnership represents how the Partnership would have computed its provision had it filed separate federal and state tax returns.

Under an agreement with the Parent, the Partnership records via an intercompany transaction with the Parent the amount of its net current and deferred tax provision or net tax benefit. The Parent assumes ultimate responsibility for the payment of all taxes in accordance with federal, state and local laws. As a result of this agreement, the Partnership had no current or deferred tax liabilities or assets recorded on its statement of financial condition at December 31, 2007.

**New Accounting Pronouncements to be Adopted**

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. This interpretation requires that the Partnership recognize in its financial statements the impact of a tax position when it is more likely than not that the tax position would be sustained upon examination by the tax authorities based on the technical merits of the position. The Partnership has elected to defer the adoption of FIN 48 in accordance with FASB Staff Position FIN 48-2, which defers the effective date of FIN 48 for certain nonpublic enterprises until January 1, 2008. Accordingly, the Partnership is currently evaluating FIN 48 and its impact, if any, on the Partnership's financial statements.

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2007

**(3) PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2007:

Property and equipment	\$ 459,879
Less accumulated depreciation	(408,375)
<b>Property and equipment - net</b>	<b>\$ 51,504</b>

In 2007, the Partnership determined that certain fully-depreciated property and equipment were no longer in service or could not be located. The write-off of such assets totaled \$251,092.

**(4) NET CAPITAL REQUIREMENTS**

As a broker/dealer, the Partnership is subject to the Securities and Exchange Commission's ("SEC") regulations and operating guidelines, including Rule 15c3-1 of the Securities Exchange Act of 1934 (the "Exchange Act"), which requires the Partnership to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness, as defined, to net capital not exceeding 15 to 1. The Partnership's net capital, as computed pursuant to Rule 15c3-1, was \$26,311,466 at December 31, 2007, which was greater than the required net capital of \$6,672,677 by \$19,638,789. The ratio of aggregate indebtedness to net capital at December 31, 2007 was 3.80 to 1.

**(5) EXEMPTION FROM RESERVE AND SECURITY CUSTODY REQUIREMENTS PURSUANT TO RULE 15c3-3**

The Partnership is exempt from the reserve requirements of Rule 15c3-3 of the Exchange Act, under the provisions of subparagraph (k) (1) thereof, as its transactions are limited to the purchase, sale and redemption of redeemable securities of registered investment companies. All customer funds are promptly transmitted, and all securities received in connection with activities as a broker/dealer are promptly delivered. The Partnership does not otherwise hold funds or securities for, or owe money or securities to, customers.

**(6) TRANSACTIONS WITH PARENT**

**Accounts Payable to Parent**

Accounts payable to Parent represents intercompany transactions between the Partnership and the Parent due to the receipt and payment of cash on the Parent's consolidated financial statements and the recording of related transactions on the Partnership's financial statements. This balance is recorded as a component of Partners' Equity in the statement of financial condition, as the Partnership neither pays, receives, nor anticipates paying or receiving, cash from the Parent.

**Dividends**

The Partnership did not pay any dividends to the Parent in 2007.

**Capital Contributions from the Parent**

During 2007, the Parent contributed \$25,999,855 of capital in the form of cash and cash equivalents to the Partnership.



PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2007

*Acquisition-Related Tax Election*

During the years ended December 31, 2006 and 2005, and for the period ended August 2, 2007, the Partnership was not a separate taxable entity for federal and various state income tax purposes and its income for these periods was included in the consolidated MMC income tax returns. The Partnership accounted for income taxes for these periods under the separate return method in accordance with Statement of Financial Accounting Standard ("SFAS") No. 109 *Accounting for Income Taxes*. Under the terms of the stock purchase agreement between Lifeco and MMC, MMC has assumed all known and potential income tax liabilities associated with the periods through August 2, 2007. Accordingly, all current and deferred income tax balances recorded as of August 2, 2007 were assumed by MMC and will be settled by MMC in future years. For those state income tax returns where the Parent filed on a separate company basis and for all foreign jurisdictions, the Parent is responsible for remitting all related taxes. All payments made by the Parent for tax liabilities related to periods prior to August 2, 2007 will be reimbursed by MMC and therefore an income tax receivable from MMC has been recorded by the Parent as of December 31, 2007.

In connection with the acquisition of PIT, Lifeco and MMC made a joint election under Internal Revenue Code Section 338(h)(10) to treat the transaction as a purchase resulting in a step-up in the tax basis of certain Partnership assets and liabilities. The election resulted in the Partnership recording a tax receivable from the Parent (included in accounts payable to Parent) of \$7,450,828. The offset of this transaction was recorded in Partners' Equity in accordance with Emerging Issues Task Force 94-10, *Accounting by a Company for the Income Tax Effects of Transactions Among or With its Shareholders under SFAS No. 109*. The Partnership expects to realize the tax receivable over periods which range from the current period to fifteen years. The Partnership is in the process of finalizing the tax purchase price allocation. Any increase or decrease in the tax receivable resulting from the final allocation of the tax purchase price will be an adjustment to Partners' Equity and an intercompany transaction with the Parent.

*Acquisition-Related Compensation*

Prior to the Acquisition Date, PIT sponsored the Putnam Investments Trust Equity Partnership Plan (the "EPP"). Certain employees of the Partnership were eligible to participate in the EPP, under which they were eligible to receive non-qualified stock options and restricted shares of PIT's Class B common stock. As a result of the acquisition of PIT, all outstanding unvested regular (non-special retention) awards under the EPP were vested and the benefits paid out in cash according to a predetermined formula. All vested regular and special retention awards were also settled in cash according to the same formula. All unvested special retention awards were cancelled. In addition, based upon a methodology provided in the EPP, a new deferred cash award attributable to each participant was contributed to Grantor Trusts established for the benefit of the participants. The participants will receive the deferred amount over a two or three year period. Compensation expense related to the accelerated vesting upon the acquisition totaled \$2,352,607; compensation expense related to the Grantor Trusts totaled \$10,885,720 for the year-ended December 31, 2007. These expenses are recorded as a capital contribution from PIT and the Parent in the Partnership's statement of changes in Partners' Equity in accordance with SFAS No. 123(R), *Share-Based Payment*. At December 31, 2007, there was \$20,085,782 of unrecognized compensation expense related to the Grantor Trust deferred cash awards.

**(7) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair market value of the Partnership's financial instruments is described below. The fair market values shown do not indicate the Partnership's intent or ability to dispose of the financial instruments.

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2007

**Invested Cash Balances of the Funds**

The carrying value of invested cash balances of the Funds approximates fair market value due to their short-term nature.

**Accounts Receivable from Sales of Mutual Fund Shares**

The carrying value of accounts receivable from sales of mutual fund shares approximates fair market value due to their short-term nature.

**Accounts Receivable from Mutual Funds for Distribution Plans**

The carrying value of accounts receivable from mutual funds for distribution plans approximates fair market value due to their short-term nature.

**Accounts Payable to Parent**

The carrying value of the accounts payable to Parent approximates fair market value.

**(8) COMMITMENTS AND CONTINGENCIES**

The Putnam Investments Trust Sale Agreement provides that MMC will indemnify Lifeco with respect to certain Putnam-related litigation and regulatory matters following the Acquisition Date. Certain of the matters as indicated below are subject to the indemnification provision.

The Partnership and the Parent are subject to claims and lawsuits which seek damages, including punitive damages, in amounts, which could, if assessed, be significant. The following are specific to the Partnership:

***Regulatory Matters***

A complaint filed on behalf of a putative class of investors in certain Funds (the "Class Action") and a complaint filed by certain fund investors purporting to assert derivative claims on behalf of all Funds (the "Derivative Action") was brought against PIT, various affiliates of the Parent, certain members of the Trustees, certain present and former officers and employees of the Parent, and persons and entities that allegedly engaged in or facilitated market-timing or late trading activities in the Funds. Both suits seek to recover unspecified damages allegedly suffered by the Funds and their shareholders as a result of purported market-timing and late trading activity that allegedly occurred in certain Funds. The Derivative Action seeks additional relief, including termination of the investment advisory contracts between the Partnership and the Funds, cancellation of the Funds' 12b-1 plans and the return of all advisory and 12b-1 fees paid by the Funds over a certain period of time. In the Class Action, the court dismissed all claims against the Parent defendants except claims under Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Section 20(a) of the Exchange Act, and Section 36(b) of the Investment Company Act of 1940 ("ICA"). In the Derivative Action, the court dismissed all claims against the Parent defendants except a claim under Section 36(b) of the ICA. The court has ordered the plaintiffs in the Class Action to conduct discovery for both the Class Action and the Derivative Action. Discovery is ongoing.

As discussed more fully in Article 11.02(a)(iii) of the Putnam Investments Trust Sale Agreement, MMC will indemnify Lifeco for any damages (as defined in the Putnam Investments Trust Sale Agreement) arising from any claim, action, suit, investigation, proceeding or inquiry currently pending or arising before December 31, 2008, that results from any alleged "market timing" activity in trading by any person in the

PUTNAM RETAIL MANAGEMENT, LIMITED PARTNERSHIP  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
AS OF DECEMBER 31, 2007

Funds (including frequent trading and late trading), to the extent the alleged activity occurred before the Acquisition Date.

***Other Litigation***

In March 2004, PIT was named as a defendant in federal court in Massachusetts for alleged violations of Section 36(b) of the ICA in connection with the receipt of purportedly excessive advisory and distribution fees paid by certain Funds in which plaintiffs purportedly owned shares (the "Excessive Fee Litigation"). Plaintiffs seek, among other things, to recover certain advisory and distribution fees paid to defendants, rescission of the management and distribution agreements between defendants and the Funds, and a prospective reduction in fees.

As described more fully in Article 11.02(a)(iii) of the Putnam Investments Trust Sale Agreement, MMC will indemnify Lifeco for any damages (as defined by the Putnam Investments Trust Sale Agreement) arising under (i) the Putnam Excessive Fee Litigation and (ii) any further claim, action, suit, investigation, proceeding or inquiry arising before the third anniversary of the closing of the sale of the Parent that results from the same specific conduct (i.e., the same particular actions or conduct at the same particular time and involving the same mutual funds) involving "excessive fees" purportedly violating Section 36(b) of the ICA that is the subject of the Putnam Excessive Fee Litigation.

In light of the multiple regulatory inquiries and actions that the Partnership and the Parent are addressing, there is a significant risk of additional litigation by private parties relating to the subject matter of the regulatory inquiries or actions, which could result in substantial litigation expenses and potential damages or settlements.

The proceedings in all of the above-referenced matters seek monetary damages and other forms of relief. Where a loss is probable and reasonably estimable, the Partnership has established reserves in accordance with SFAS No. 5, *Accounting for Contingencies*. At the present time, Putnam's management is unable to provide a reasonable estimate of the range of possible loss attributable to the foregoing proceedings or the impact they may have on the Partnership's financial position (to the extent not covered by insurance). The principal reasons for this are that many of these cases are in their early stages, the sufficiency of the complaints has not yet been tested in most of the cases, and, in many of the cases, only limited discovery, if any, has taken place. Without knowledge of which, if any, claims will survive, it is not possible to reasonably estimate the possible loss or range of loss.

The ultimate outcome of claims, lawsuits, and other contingencies referred to above cannot be readily ascertained. Liabilities, in addition to the amounts accrued in the financial statements, in indeterminate amounts may be imposed on the Partnership and the Parent. On the basis of present information, it is the opinion of the Parent's management that the disposition or ultimate determination of these claims, lawsuits, proceedings, and reviews may have a material adverse effect on the statement of financial condition of the Partnership.

March 27, 2008

Putnam Retail Management, LP  
One Post Office Square  
Boston, Massachusetts 02109

In planning and performing our audit of the financial statements of Putnam Retail Management, Limited Partnership (the "Partnership") (a wholly owned subsidiary of Putnam Investments, LLC) as of and for the year ended December 31, 2007 (on which we issued our report dated March 27, 2008), in accordance with auditing standards generally accepted in the United States of America, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Partnership is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Partnership has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or

report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Partnership's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Deloitte Touche LLP*

**END**